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**U.S. TRADE REPRESENTATIVE CHARLENE BARSHEFSKY  
EXPRESSES CONCERN OVER PACE OF PROGRESS  
UNDER U.S.-JAPAN AUTOMOTIVE AGREEMENT**

Washington, DC -- The Clinton Administration, in a report released today, expressed increased concerns over the pace of progress achieved this year under the 1995 U.S.-Japan Automotive Agreement and stated that additional substantial efforts are required to achieve the Agreement's objectives. In this semi-annual report, the Administration strongly urged Japan to redouble its commitment to fully implement terms of the Agreement.

"We are concerned that the progress achieved under the first year of the Agreement clearly has not been sustained. We view the slowdown in new dealership signings and in deregulation of the auto parts replacement market as particularly troubling," said U.S. Trade Representative Charlene Barshefsky. "Japan needs to make more vigorous efforts to ensure that the market opening goals of the Agreement are achieved."

"The Japanese Government has repeatedly stated its commitment to deregulation and market opening," said Ambassador Barshefsky. "It is time that Japan took real action to achieve these goals."

The report, which assesses progress based on 17 objective criteria included in the Agreement, expressed specific disappointment in the following key areas:

- After increasing 34 percent in 1996, sales in Japan of vehicles produced by U.S.-based auto manufacturers declined 20 percent during the first nine months of 1997. This drop occurred despite the efforts of manufacturers to maintain their price competitiveness in the face of a weak yen. The decrease in overall foreign vehicle sales well exceeded the 2 percent contraction in the Japanese auto market.

- U.S. automakers continue to seek high-quality, high-volume dealerships, but consistently report that many Japanese dealers openly express reservations about carrying competing foreign vehicles out of fear that doing so could compromise their relationships with Japanese auto suppliers. U.S. automakers have added only 142 new dealer outlets since the signing of the Agreement, with the pace diminishing markedly this year. The Japanese Government has recently announced that it will ensure that Japanese auto dealers understand that they are free to carry competing products. Increased efforts in this area are critical to the ability of foreign automakers to gain direct, fair, and equitable access to the Japanese automotive market.
- The Ministry of Transportation (MOT) has failed to remove any additional parts from the disassembly repair regulations in over a year, despite its commitment under the Agreement to review the need for maintaining these regulations. The disassembly repair regulations require that repairs which involve the disassembly of any of the seven major component systems of an automobile -- e.g., brake system -- be done at dealerships or other MOT-certified garages. These garages tend to almost exclusively use Japanese-made parts because they are owned by or closely affiliated with Japanese auto manufacturers. The U.S. Government and industry believe that such repairs can be done safely at independent garages if performed by qualified mechanics.

The report notes progress in other areas under the Agreement:

- U.S. auto parts exports to Japan were up 14 percent in the first half of 1997 and sales of U.S.-made auto parts to Japanese transplants increased 8 percent during Japanese FY 1996.
- In February, the MOT introduced two new categories of service garages into the Japanese certified garage system. This action will encourage competition and create new opportunities for foreign parts producers by permitting smaller independent garages, which are more inclined to use foreign parts, to undertake repairs previously limited to dealerships or other MOT-certified garages. To facilitate the establishment of these new garages, the U.S. Government and industry have requested that the Japanese Government revise regulations regarding certification of mechanics employed by these garages. So far, however, the Japanese Government only has agreed to hold hearings on this issue early next year.

The semi-annual report was the fourth to be issued by the Commerce-USTR co-led interagency task force formed to monitor progress made under the Agreement.